Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

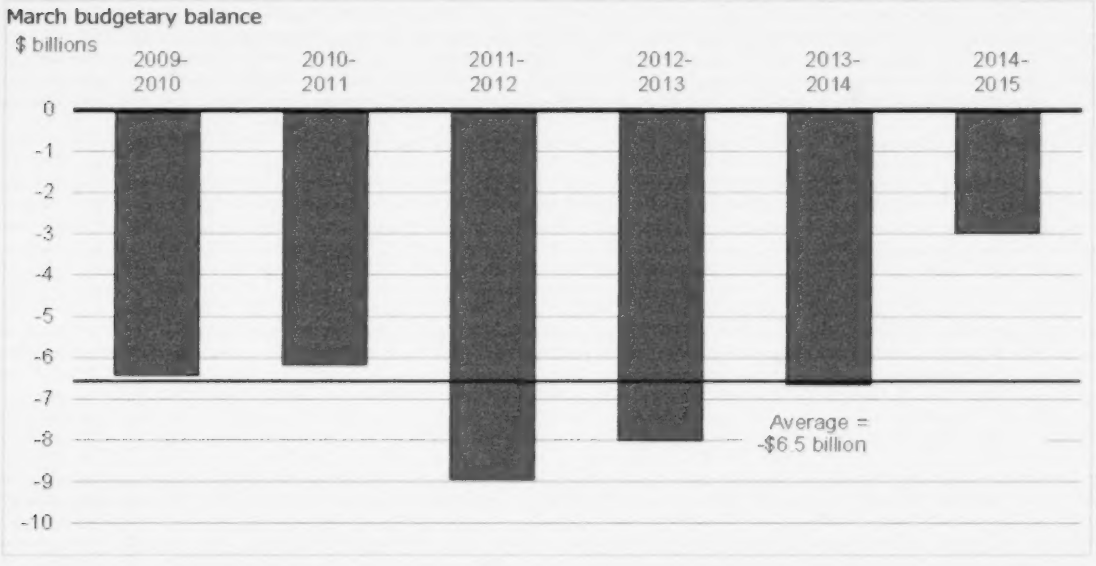
Introduction

The Fiscal Monitor provides an overview of monthly and year-to-date financial results for the Government of Canada. It is prepared in accordance with the same accounting policies used in the annual audited financial statements of the Government of Canada. Summary financial results reported in *The Fiscal Monitor* are based on financial transactions recorded in the Accounts of Canada, maintained by the Receiver General for Canada.

There can be significant volatility in monthly results due to the timing of revenue receipts and expense recognition. For instance, a large share of government spending is typically reported in the March *Fiscal Monitor*. For fiscal year 2015–16, while a surplus is expected for February, Budget 2016 projects that the cumulative budgetary balance will deteriorate to reach a year-end deficit of $5.4 billion.

In this context, the year-to-date cumulative surplus is expected to be overtaken by:

- A significant deficit in March, as historically, a large share of total expenses is recorded in that month (see chart below).
- Negative year-end adjustments relating to corporate income tax revenues, reflecting actual results for the 2015 tax year. Although the recent decline in oil prices is unprecedented, negative year-end adjustments have been recorded in previous years following periods of economic weakness.
- The cost of measures undertaken to improve benefits for veterans announced in Budget 2016.



Highlights

January 2016: budgetary surplus of $1.1 billion

There was a budgetary surplus of $1.1 billion in January 2016, compared to a surplus of $2.2 billion in January 2015. Revenues increased by $1.4 billion, or 5.4 per cent, reflecting increases in most revenue streams. Program expenses increased by $2.5 billion, or 11.8 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by $1 million, or 0.1 per cent.

April 2015 to January 2016: budgetary surplus of $4.3 billion

For the April 2015 to January 2016 period of the 2015–16 fiscal year, the Government posted a budgetary surplus of $4.3 billion, compared to a surplus of $1.3 billion reported for the same period of 2014–15. Revenues were up $15.6 billion, or 7.0 per cent, reflecting increases in all revenue streams. Program expenses were up $13.7 billion, or 6.9 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $1.1 billion, or 4.8 per cent, largely reflecting lower average effective interest rates on Government of Canada bonds and treasury bills.

January 2016

There was a budgetary surplus of $1.1 billion in January 2016, compared to a surplus of $2.2 billion in January 2015.

Revenues in January 2016 totalled $26.8 billion, up $1.4 billion, or 5.4 per cent, from January 2015.

- Personal income tax revenues were up $0.7 billion, or 5.3 per cent.
- Corporate income tax revenues were up $0.1 billion, or 4.1 per cent.
- Non-resident income tax revenues were up $0.1 billion, or 10.5 per cent.
- Excise taxes and duties were up $0.3 billion, or 7.3 per cent. Goods and Services Tax (GST) revenues increased by $0.2 billion, energy taxes decreased by $5 million, customs import duties increased by $0.1 billion, and other excise taxes and duties increased by $4 million.
- Employment Insurance (EI) premium revenues were up $32 million, or 1.2 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up by $0.2 billion, or 7.0 per cent.

Program expenses in January 2016 were $23.7 billion, up $2.5 billion, or 11.8 per cent, from January 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $1.0 billion, or 15.9 per cent. Elderly benefits increased by $0.2 billion, or 4.6 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.5 billion, or 27.1 per cent, reflecting in part year-over-year differences in the timing of payments. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by $0.4 billion, or 37.7 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB in 2015.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a

number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.5 billion, or 9.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as a downward adjustment to the Quebec Abatement, based on the latest estimated value of these tax point transfers.

- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $1.0 billion, or 10.2 per cent. Within direct program expenses:
  - Transfer payments increased by $0.8 billion, or 19.8 per cent, primarily reflecting higher claims expenses at Indigenous and Northern Affairs Canada.
  - Other direct program expenses increased by $0.2 billion, or 3.9 per cent.

Public debt charges increased by $1 million, or 0.1 per cent.

April 2015 to January 2016

For the April 2015 to January 2016 period of the 2015–16 fiscal year, there was a budgetary surplus of $4.3 billion, compared to a surplus of $1.3 billion reported during the same period of 2014–15.

Revenues increased by $15.6 billion, or 7.0 per cent, to $238.8 billion.

- Personal income tax revenues were up $6.2 billion, or 5.6 per cent.
- Corporate income tax revenues were up $4.4 billion, or 16.3 per cent.
- Non-resident income tax revenues were up $0.3 billion, or 5.9 per cent.
- Excise taxes and duties were up $2.9 billion, or 7.2 per cent. GST revenues increased by $1.9 billion, or 7.1 per cent, energy taxes by $0.1 billion, customs import duties by $0.7 billion, and other excise taxes and duties by $0.1 billion.
- EI premium revenues were up $0.6 billion, or 3.2 per cent, reflecting growth in earnings.
- Other revenues were up $1.3 billion, or 5.5 per cent, largely reflecting increased profits of enterprise Crown corporations.

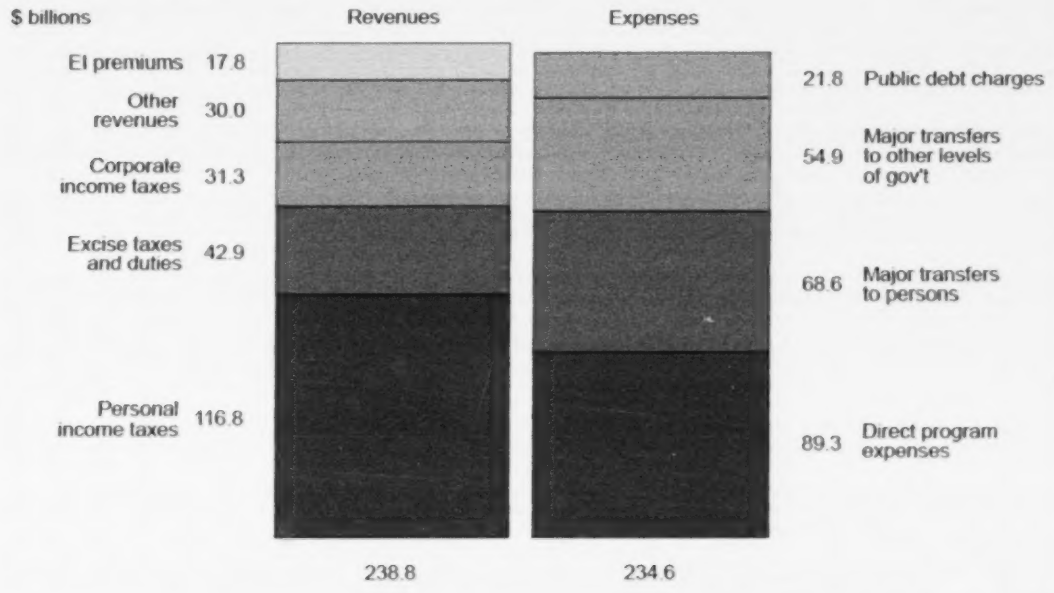
For the April 2015 to January 2016 period, program expenses were $212.8 billion, up $13.7 billion, or 6.9 per cent, from the same period the previous year.

- Major transfers to persons were up $7.0 billion or 11.3 per cent. Elderly benefits increased by $1.5 billion, or 4.1 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $1.4 billion, or 9.7 per cent, and children's benefits were up $4.1 billion, or 37.8 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB.
- Major transfers to other levels of government were up $2.4 billion, or 4.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $4.3 billion, or 5.1 per cent. Within direct program expenses:
  - Transfer payments decreased by $0.2 billion, or 0.8 per cent, largely reflecting the accelerated repayment of contributions by Pratt & Whitney Canada, offset in part by higher claims expenses at Indigenous and Northern Affairs Canada.

- Other direct program expenses increased by $4.5 billion, or 7.7 per cent, due in large part to an increase in Crown corporation expenses and an increase in government pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by $1.1 billion, or 4.8 per cent, largely reflecting lower average effective interest rates on Government of Canada bonds and treasury bills.

Revenues and expenses (April 2015 to January 2016)



Note: Totals may not add due to rounding.

Financial requirement of $17.3 billion for April 2015 to January 2016

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $4.3 billion and a financial requirement of $21.5 billion from non-budgetary transactions, there was a financial requirement of $17.3 billion for the April 2015 to January 2016 period, compared to a financial requirement of $6.1 billion for the same period the previous year.

Net financing activities up $39.5 billion

The Government financed its financial requirement of $17.3 billion and increased cash balances by $22.2 billion by increasing unmatured debt by $39.5 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of January 2016 stood at $50.1 billion, up $13.4 billion from their level at the end of January 2015.

Table 1
Summary statement of transactions
$ millions

	January		April to January	
	2015	2016	2014–15	2015–16
Budgetary transactions				
Revenues	25,415	26,775	223,282	238,839
Expenses				
Program expenses	-21,232	-23,732	-199,059	-212,766
Public debt charges	-1,972	-1,973	-22,914	-21,805
Budgetary balance (deficit/surplus)	2,211	1,070	1,309	4,268
Non-budgetary transactions	-8,983	-629	-7,382	-21,539
Financial source/requirement	-6,772	441	-6,073	-17,271
Net change in financing activities	15,407	10,752	16,769	39,466
Net change in cash balances	8,635	11,193	10,696	22,195
Cash balance at end of period			36,768	50,146

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	January			April to January		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	12,869	13,545	5.3	110,659	116,843	5.6
Corporate income tax	2,793	2,907	4.1	26,949	31,330	16.3
Non-resident income tax	977	1,080	10.5	5,213	5,519	5.9
Total income tax	16,639	17,532	5.4	142,821	153,692	7.6
Excise taxes and duties						
Goods and Services Tax	2,583	2,778	7.5	26,743	28,654	7.1
Energy taxes	460	455	-1.1	4,610	4,756	3.2
Customs import duties	356	440	23.6	3,775	4,447	17.8
Other excise taxes and duties	424	428	0.9	4,935	5,073	2.8
Total excise taxes and duties	3,823	4,101	7.3	40,063	42,930	7.2
Total tax revenues	20,462	21,633	5.7	182,884	196,622	7.5
Employment Insurance premiums	2,718	2,750	1.2	17,220	17,772	3.2
Other revenues	2,235	2,392	7.0	23,178	24,445	5.5
Total revenues	25,415	26,775	5.4	223,282	238,839	7.0

Note: Totals may not add due to rounding.

Table 3
Expenses

	January			April to January		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,696	3,865	4.6	36,232	37,706	4.1
Employment Insurance benefits	1,673	2,127	27.1	14,565	15,980	9.7
Children's benefits	1,063	1,464	37.7	10,821	14,914	37.8
Total	6,432	7,456	15.9	61,618	68,600	11.3
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,676	2,836	6.0	26,762	28,354	5.9
Canada Social Transfer	1,048	1,080	3.1	10,485	10,799	3.0
Total	3,724	3,916	5.2	37,247	39,153	5.1
Fiscal arrangements and other transfers[1]	1,641	1,703	3.8	17,077	17,562	2.8
Canada's cities and communities	28	28	0.0	1,932	1,910	-1.1
Quebec Abatement	-376	-148	-60.6	-3,758	-3,710	-1.3
Total	5,017	5,499	9.6	52,498	54,915	4.6
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	487	1,248	156.3	4,966	5,922	19.3
Agriculture and Agri-Food	96	114	18.8	764	962	25.9
Employment and Social Development	785	890	13.4	4,758	4,858	2.1
Foreign Affairs, Trade and Development	358	396	10.6	1,966	2,402	22.2

Health	298	290	-2.7	2,530	2,553	0.9
Industry	144	169	17.4	1,815	753	-58.5
Other[1]	1,683	1,506	-10.5	9,117	8,248	-9.5
Total	3,851	4,613	19.8	25,916	25,698	-0.8
Other direct program expenses						
Crown corporations	627	597	-4.8	6,113	7,013	14.7
National Defence	1,551	1,856	19.7	16,626	18,711	12.5
All other departments and agencies	3,754	3,711	-1.1	36,288	37,829	4.2
Total other direct program expenses	5,932	6,164	3.9	59,027	63,553	7.7
Total direct program expenses	9,783	10,777	10.2	84,943	89,251	5.1
Total program expenses	21,232	23,732	11.8	199,059	212,766	6.9
Public debt charges	1,972	1,973	0.1	22,914	21,805	-4.8
Total expenses	23,204	25,705	10.8	221,973	234,571	5.7

Note: Totals may not add due to rounding.

[1] Comparative figures have been reclassified to conform to the presentation in the 2014-15 Consolidated Financial Statements of the Government of Canada.

Table 4
The budgetary balance and financial source/requirement
$ millions

	January		April to January	
	2015	2016	2014–15	2015–16
Budgetary balance (deficit/surplus)	2,211	1,070	1,309	4,268
Non-budgetary transactions				
Capital investment activities	-300	-529	-2,913	-3,560
Other investing activities	-606	208	2,474	-5,939
Pension and other accounts	262	564	1,746	4,041
Other activities				
Accounts payable, receivables, accruals and allowances	-1,417	1,344	-2,937	-4,827
Foreign exchange activities	-7,046	-2,508	-8,820	-14,772
Amortization of tangible capital assets	124	292	3,068	3,518
Total other activities	-8,339	-872	-8,689	-16,081
Total non-budgetary transactions	-8,983	-629	-7,382	-21,539
Financial source/requirement	-6,772	441	-6,073	-17,271

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	January		April to January	
	2015	**2016**	**2014–15**	**2015–16**
Financial source/requirement	-6,772	441	-6,073	-17,271
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	6,754	9,111	16,003	17,198
Treasury bills	2,200	500	-4,300	12,100
Retail debt	8	55	-630	-562
Total	8,962	9,666	11,073	28,736
Foreign currency borrowings	1,690	419	166	3,835
Total	10,652	10,085	11,239	32,571
Cross-currency swap revaluation	4,486	574	5,349	6,376
Unamortized discounts and premiums on market debt	255	106	534	722
Obligations related to capital leases and other unmatured debt	14	-13	-353	-203
Net change in financing activities	15,407	10,752	16,769	39,466
Change in cash balance	8,635	11,193	10,696	22,195

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2015	January 31, 2016	Change
Liabilities			
Accounts payable and accrued liabilities	123,631	122,499	-1,132
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	487,881	505,079	17,198
Treasury bills	135,692	147,792	12,100
Retail debt	5,660	5,098	-562
Subtotal	629,233	657,969	28,736
Payable in foreign currencies	20,267	24,102	3,835
Cross-currency swap revaluation	6,669	13,045	6,376
Unamortized discounts and premiums on market debt	4,296	5,018	722
Obligations related to capital leases and other unmatured debt	4,715	4,512	-203
Total unmatured debt	665,180	704,646	39,466
Pension and other liabilities			
Public sector pensions	152,664	152,102	-562
Other employee and veteran future benefits	76,140	80,879	4,739
Other liabilities	6,002	5,866	-136
Total pension and other liabilities	234,806	238,847	4,041
Total interest-bearing debt	899,986	943,493	43,507

Total liabilities	1,023,617	1,065,992	42,375
Financial assets			
Cash and accounts receivable	136,696	162,586	25,890
Foreign exchange accounts	85,018	99,790	14,772
Loans, investments, and advances (net of allowances)[1]	113,681	118,118	4,437
Public sector pension assets	1,263	1,263	0
Total financial assets	336,658	381,757	45,099
Net debt	686,959	684,235	-2,724
Non-financial assets	74,629	74,671	42
Federal debt (accumulated deficit)	612,330	609,564	-2,766

Note: Totals may not add due to rounding.

[1] January 31, 2016 amount includes $1.5 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2015 to January 2016 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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March 2016

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